

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Reynolds Township	County Montcalm
Audit Date 3/31/06	Opinion Date 9/14/06	Date Accountant Report Submitted to State: 9/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

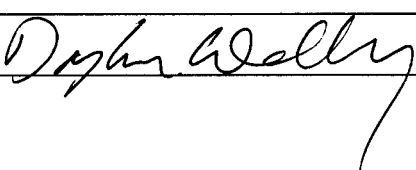
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Douglas Wohlberg, CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature 		Date 9/29/06	

Reynolds Township

Montcalm County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended March 31, 2006

Reynolds Township

Montcalm County, Michigan

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March 31, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board
Reynolds Township
Montcalm County, Michigan

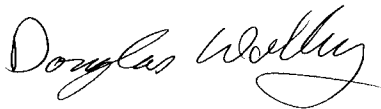
We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Reynolds Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Reynolds Township management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Reynolds Township as of March 31, 2006, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



Byron Center, Michigan
September 14, 2006

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reynolds Township

Montcalm County, Michigan

Statement of Net Assets

For the year ended March 31, 2006

	Governmental activities
<u>GOVERNMENTAL ASSETS</u>	
Cash and cash equivalents	\$ 368,713
Receivables (net)	22,974
Capital assets (net)	1,445,949
TOTAL ASSETS	\$ 1,837,636
<u>GOVERNMENTAL LIABILITIES</u>	
Accrued and other liabilities	\$ 779
Due within one year	9,930
Due in more than one year	169,840
TOTAL LIABILITIES	180,549
<u>GOVERNMENTAL NET ASSETS</u>	
Reserved for	
Capital projects	36,508
Invested in capital assets (net of related debt)	1,268,183
Unrestricted	352,396
TOTAL NET ASSETS	1,657,087
TOTAL LIABILITIES AND NET ASSETS	\$ 1,837,636

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Statement of Activities

For the year ended March 31, 2006

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
<u>PRIMARY GOVERNMENT EXPENSES</u>					
General government	\$ 175,115	\$ 34,851	\$ -	\$ -	\$ (140,264)
Public safety	57,977	-	-	-	(57,977)
Public works	79,315	-	-	-	(79,315)
Community and economic development	9,379	2,750	-	-	(6,629)
Recreation and culture	219,122	16,826	115,127	70,968	(16,201)
Total Governmental activities	\$ 540,908	\$ 54,427	\$ 115,127	\$ 70,968	(300,386)
<u>General Revenues</u>					
Property taxes					226,243
State-shared revenue					187,298
Unrestricted investment income					11,793
Franchise fees					2,821
Gain on sale					47,327
Miscellaneous					10,573
Total general revenues - special items and transfers					486,055
Change in net assets					185,669
Net assets at beginning of year					1,471,418
Net assets at end of year					\$ 1,657,087

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Governmental Funds

Balance Sheet

March 31, 2006

	General Fund	Library Fund	Library Capital Projects Fund	Nonmajor Fund	Total
ASSETS					
Cash	\$ 222,513	\$ 109,692	\$ 20,663	\$ 15,845	\$ 368,713
Receivables					
Taxes	14,437	8,537	-	-	22,974
TOTAL ASSETS	\$ 236,950	\$ 118,229	\$ 20,663	\$ 15,845	\$ 391,687
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Payroll deductions payable	\$ -	\$ 779	\$ -	\$ -	\$ 779
FUND BALANCES					
Reserved for					
Capital Projects	-	-	20,663	15,845	36,508
Undesignated	236,950	117,450	-	-	354,400
TOTAL FUND BALANCES	236,950	117,450	20,663	15,845	390,908
TOTAL LIABILITIES AND FUND BALANCES	\$ 236,950	\$ 118,229	\$ 20,663	\$ 15,845	\$ 391,687

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended March 31, 2006

Total fund balances - total governmental funds	\$	390,908
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	1,483,376
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Accumulated depreciation	(37,427)
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Net capital assets	1,445,949
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Installment purchase contracts payable	(179,770)
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Net assets of governmental activities	\$	1,657,087
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The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended March 31, 2006

	General Fund	Library Fund	Library Capital Projects Fund	Nonmajor Funds	Total
REVENUE					
Property taxes	\$ 159,970	\$ 95,510	\$ -	\$ -	\$ 255,480
State grants	187,146	5,415	-	-	192,561
Licenses and permits	4,802	-	-	-	4,802
Intergovernmental	-	65,703	-	-	65,703
Charges for services	6,575	8,610	-	-	15,185
Fines	-	52,224	-	-	52,224
Interest and rents	4,683	3,692	3,377	-	11,752
Contributions	-	160	70,808	-	70,968
Other	9,848	725	-	-	10,573
Sale of capital assets	-	47,327	-	-	47,327
TOTAL REVENUE	373,024	279,366	74,185	-	726,575
EXPENDITURES					
General government	157,198	-	-	-	157,198
Public Safety	57,978	-	-	-	57,978
Public works	79,315	-	-	-	79,315
Community and economic development	9,378	-	-	-	9,378
Recreation and culture	500	183,135	-	-	183,635
Other governmental functions	15,081	-	-	-	15,081
Capital outlay	-	-	1,118,509	47,000	1,165,509
Debt service	-	18,300	-	-	18,300
TOTAL EXPENDITURES	319,450	201,435	1,118,509	47,000	1,686,394
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,574	77,931	(1,044,324)	(47,000)	(959,819)
OTHER FINANCING SOURCES (USES)					
Transfer out	-	(152,989)	-	-	(152,989)
Transfer in	-	-	152,989	-	152,989
Proceeds of long-term debt	-	-	194,406	-	194,406
TOTAL OTHER FINANCING SOURCES (USES)	-	(152,989)	347,395	-	194,406
NET CHANGE IN FUND BALANCES	53,574	(75,058)	(696,929)	(47,000)	(765,413)
FUND BALANCES, BEGINNING OF YEAR	183,376	192,508	717,592	62,845	1,156,321
FUND BALANCES, END OF YEAR	\$ 236,950	\$ 117,450	\$ 20,663	\$ 15,845	\$ 390,908

The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended March 31, 2006

Net change in fund balances - total governmental funds	\$	(765,413)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.	1,167,313
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(194,406)
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Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Depreciation	(21,825)
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Change in net assets of government activities	\$	185,669
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The Notes to the Financial Statements are an integral part of this statement.

Reynolds Township

Montcalm County, Michigan

Fiduciary Fund

Statement of Net Assets

For the year ended March 31, 2006

Agency Fund Type	
Cash	\$ 6,902
Undistributed taxes	\$ 6,902

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Reynolds Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Reynolds Township:

A. Reporting Entity

Reynolds Township is governed by an elected five member Board. The Township has no component units, entities for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

This reporting model provides for separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Reynolds Township has no proprietary funds. The Township has one fiduciary fund, the Tax Agency Fund.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Reynolds Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Reynolds Township as of the preceding December 31st.

Although Reynolds Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is Reynolds Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of Reynolds Township totaled \$97,930,883 for General Operations and Library Operations and \$65,157,461 for the Fire and Public Safety Millage on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operation	0.8488 \$	83,124
Library	0.8488	83,124
Fire	0.9055	59,000

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Library Fund accounts for property taxes and other revenues used to operate the library.

Library Capital Projects Fund accounts for donations and other money used to construct and furnish a library building.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

Additionally, the government reports the following fund types:

Capital Project Fund

The Township Hall Capital Projects Fund accounts for money set aside for improvements to the Township hall.

The Trust and agency fund accounts for property tax collected on behalf of the Township and other units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before March 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before March 31, the budget is adopted by resolution.

Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before March 31. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts budgets for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Reynolds Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual Expenditure
General Fund		
Board of Review	\$ 1,000	\$ 1,530
Treasurer	22,800	23,635
Assessor	32,000	33,633
Attorney	5,000	12,609
Cemetery	7,500	8,587
Fire Department	34,800	36,154
Planning	1,000	1,114
Library Fund		
Transfers out	-	106,000

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Reynolds Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At the year end, the Township had \$246,510 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 4 - RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Library
Taxes receivable	\$ 14,437	\$ 8,537

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Assets not being depreciated				
Land	\$ 106,300	\$	\$	\$ 106,300
Construction in progress	202,513		(202,513)	
Capital assets being depreciated:				
Buildings		1,368,022		1,368,022
Furniture and equipment	7,250	1,804		9,054
Subtotal	7,250	1,369,826		1,377,076
Accumulated depreciation:				
Buildings		35,376		35,376
Furniture and equipment	966	1,085		2,051
Subtotal	966	36,461		37,427
Net capital assets being depreciated	6,284	1,333,365		1,339,649
Net capital assets	\$ 315,097	\$ 1,333,365	\$ (202,513)	\$ 1,445,949

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,834
Recreation and culture	33,627
Total governmental activities	\$ 36,461

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

	Transfers Out
Transfers In	Library Fund
Library Capital Projects Fund	\$ 152,989

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 7 - LONG-TERM DEBT

The Township entered into an installment purchase agreement with Independent Bank to fund the construction of a Library Building. This debt will be repaid from property taxes collected for Library operations.

Bond and contractual obligation activity can be summarized as follows:

	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006	Due within one year
Library Construction Installment Purchase Agreement	\$ -	\$ 194,404	\$ 14,634	\$ 179,770	\$ 9,930

Annual debt service requirements to maturity for the above obligations are as follows:

December 31,	Bonds Payable		Total
	Principal	Interest	
2008	\$ 9,930	\$ 8,359	\$ 18,289
2009	10,391	7,898	18,289
2010	10,874	7,415	18,289
2011	11,380	6,909	18,289
2012	11,909	6,380	18,289
2013	12,463	5,826	18,289
2014	13,042	5,247	18,289
2015	13,649	4,640	18,289
2016	14,284	4,005	18,289
2017	14,948	3,341	18,289
2018	15,643	2,646	18,289
2019	16,371	1,918	18,289
2020	17,132	1,157	18,289
2021	7,754	361	8,115
Totals	\$ 179,770	\$ 66,102	\$ 245,872

NOTE 8 - RISK MANAGEMENT

Reynolds Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Reynolds Township has purchased commercial insurance for all claims and participates in the Accident Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Reynolds Township

Montcalm County, Michigan

Notes to Basic Financial Statements

For the year ended March 31, 2006

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The Township has no post-retirement benefit plans at this time.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

Reynolds Township provides pension benefits to certain employees through defined contribution plans with Ing Annuity and Life Insurance Company and Gleaners Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Reynolds Township contributes 20 percent of all Township Board members' salaries toward the purchase of individual annuities to provide retirement benefits. Contributions to the plan for the current year totaled \$4,466 based on a covered payroll of \$69,837. Total Township payroll was \$69,837. Retirement benefits are limited to the amount of annuities purchased on behalf of each employee.

REQUIRED SUPPLEMENTAL INFORMATION

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
REVENUES					
Property Taxes					
Current real property taxes	\$ 140,800	\$ 140,800	\$ 130,733	\$ (10,067)	\$ 127,551
Penalties and interest on taxes	-	-	41	41	1,615
Property tax administration fee	30,000	30,000	29,196	(804)	28,502
Total Property Taxes	170,800	170,800	159,970	(10,830)	157,668
State Grants					
State revenue sharing	175,000	175,000	181,949	6,949	178,324
Other state grants	5,000	5,000	5,197	197	5,879
Total State Grants	180,000	180,000	187,146	7,146	184,203
Licenses and Permits					
Non-business licenses and permits	1,600	1,600	1,155	(445)	1,370
Business licenses and permits	3,650	3,650	3,647	(3)	2,677
Total Licenses and Permits	5,250	5,250	4,802	(448)	4,047
Charges for Services					
Services rendered	6,250	6,250	6,575	325	6,221
Interest and Rentals					
Interest and dividends	1,000	1,000	4,683	3,683	1,269
Other Revenue					
Refunds	1,200	1,200	9,551	8,351	5
Other	500	500	297	(203)	339
Total Other Revenue	1,700	1,700	9,848	8,148	344
TOTAL REVENUES	365,000	365,000	373,024	8,024	353,752

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
EXPENDITURES					
General government					
Township board	\$ 4,600	\$ 4,600	\$ 4,501	\$ 99	\$ 4,536
Supervisor	15,700	15,700	15,375	325	8,264
Clerk	20,400	20,400	19,941	459	17,883
Audit	2,000	2,000	1,900	100	-
Board of review	1,000	1,000	1,530	(530)	291
Treasurer	22,800	22,800	23,635	(835)	23,197
Assessor	32,000	32,000	33,633	(1,633)	30,000
Elections	9,100	9,100	730	8,370	5,578
Building and grounds	38,200	38,200	34,757	3,443	42,590
Attorney	5,000	5,000	12,609	(7,609)	5,178
Cemetery	7,500	7,500	8,587	(1,087)	8,133
Total General government	158,300	158,300	157,198	1,102	145,650
Public safety					
Police	23,200	23,200	21,824	1,376	17,413
Fire department	34,800	34,800	36,154	(1,354)	48,715
Total Public safety	58,000	58,000	57,978	22	66,128
Public works					
Public works	200	200	175	25	-
Street lighting	3,000	3,000	2,550	450	2,367
Highways, streets and bridges	76,800	76,800	76,590	210	95,414
Total Public works	80,000	80,000	79,315	685	97,781
Community and economic development					
Planning	1,000	1,000	1,114	(114)	673
Zoning	9,500	9,500	8,264	1,236	8,725
Total Community and economic development	10,500	10,500	9,378	1,122	9,398
Recreation and culture					
Parks and recreation	500	500	500	-	500

Reynolds Township

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
Other governmental functions					
Retirement	5,000	5,000	4,466	534	3,284
Social security	2,000	2,000	1,147	853	2,032
Other	22,700	22,700	9,468	13,232	12,154
Total Other governmental functions	29,700	29,700	15,081	14,619	17,470
 TOTAL EXPENDITURES	 337,000	 337,000	 319,450	 17,550	 336,927
 NET CHANGE IN FUND BALANCES	 28,000	 28,000	 53,574	 25,574	 16,825
 Fund balance at beginning of year	 183,376	 183,376	 183,376	 -	 166,551
 Fund balance at end of year	 \$ 211,376	 \$ 211,376	 \$ 236,950	 \$ 25,574	 \$ 183,376

Reynolds Township

Montcalm County, Michigan

Library Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006

	Original and final budget	Actual	Variance with final budget	2005
<u>REVENUE</u>				
Current real property taxes	\$ 83,250	\$ 95,510	\$ 12,260	\$ 82,756
Other state grants	7,000	5,415	(1,585)	11,053
Intergovernmental	60,000	65,703	5,703	60,408
Services rendered	5,450	8,610	3,160	5,315
Fines and forfeitures	46,000	52,224	6,224	44,454
Interest and dividends	900	3,692	2,792	2,403
Contributions and donations	125	160	35	134
Refunds	-	-	-	200
Other	-	725	725	1,250
Sale of capital assets	2,000	47,327	45,327	-
TOTAL REVENUE	204,725	279,366	74,641	207,973
<u>EXPENDITURES</u>				
Library	185,148	183,135	2,013	152,735
Debt Service	-	-	-	-
Principal	-	14,634	(14,634)	-
Interest	-	3,666	(3,666)	-
TOTAL EXPENDITURES	185,148	201,435	(16,287)	152,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,577	77,931	58,354	55,238
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	-	(152,989)	(152,989)	-
NET CHANGE IN FUND BALANCES	19,577	(75,058)	(94,635)	55,238
Fund balance beginning of year	192,508	192,508	-	137,270
Fund balance end of year	\$ 212,085	\$ 117,450	\$ (94,635)	\$ 192,508

Reynolds Township

Montcalm County, Michigan

Library Capital Projects Fund

Budgetary Comparison Schedule

For the year ended March 31, 2006

	2006	2005
REVENUE		
Interest and rents	\$ 3,377	\$ 6,009
Contributions and donations	70,808	328,247
Other	-	6,679
TOTAL REVENUE	74,185	340,935
EXPENDITURES		
Capital outlay	1,118,509	202,513
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,044,324)	138,422
OTHER FINANCING SOURCES (USES)		
Transfers in	152,989	-
Installment purchase proceeds	194,406	-
TOTAL OTHER FINANCING SOURCES (USES)	347,395	-
NET CHANGE IN FUND BALANCES	(696,929)	138,422
Fund balance at beginning of year	717,592	579,170
Fund balance at end of year	\$ 20,663	\$ 717,592

The Township is not required to adopt a budget for the Library Capital Projects Fund and did not do so.

OTHER SUPPLEMENTAL INFORMATION

Reynolds Township

Montcalm County, Michigan

Township Hall Capital Projects Fund

Balance Sheet

March 31, 2006

	2006	2005
ASSETS		
Cash	\$ 15,845	\$ 62,845
LIABILITIES AND FUND EQUITY		
FUND BALANCES		
Reserved for capital projects	\$ 15,845	\$ 62,845

Reynolds Township

Montcalm County, Michigan

Township Hall Capital Projects Fund

Statement of Revenues, Expenditures and Change in Fund Balance

For the year ended March 31, 2006

	2006	2005
REVENUE		
Interest and rents	\$ -	\$ 567
EXPENDITURES		
Capital outlay	47,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,000)	567
NET CHANGE IN FUND BALANCES	(47,000)	567
Fund balance beginning of year	62,845	62,278
Fund balance end of year	\$ 15,845	\$ 62,845

The Township is not required to adopt a budget for the Township Hall Capital Projects Fund and did not do so.

LONG-TERM DEBT SCHEDULE

Reynolds Township

Reynolds Township

Schedule of Bonded Debt

\$194,406 Library Building Construction Purchase Agreement, 2006

March 31, 2006

Year ended	Interest Rate	Principal	Interest	Total
2008	4.650%	\$ 9,930	\$ 8,359	\$ 18,289
2009	4.650%	10,391	7,898	18,289
2010	4.650%	10,874	7,415	18,289
2011	4.650%	11,380	6,909	18,289
2012	4.650%	11,909	6,380	18,289
2013	4.650%	12,463	5,826	18,289
2014	4.650%	13,042	5,247	18,289
2015	4.650%	13,649	4,640	18,289
2016	4.650%	14,284	4,005	18,289
2017	4.650%	14,948	3,341	18,289
2018	4.650%	15,643	2,646	18,289
2019	4.650%	16,371	1,918	18,289
2020	4.650%	17,132	1,157	18,289
2021	4.650%	7,754	361	8,115
Totals		\$ 179,770	\$ 66,102	\$ 245,872

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Reynolds Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Reynolds Township, Montcalm County, Michigan for the year ended March 31, 2006, and have issued our report thereon dated September 14, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 21, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Reynolds Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

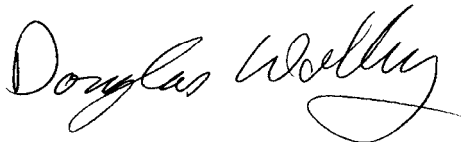
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Reynolds Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Reynolds Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2006. We noted no transactions entered into by Reynolds Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Reynolds Township and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
September 14, 2006

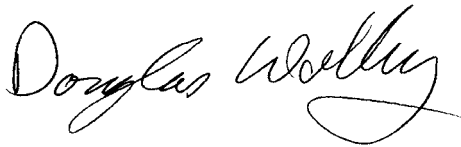
MANAGEMENT COMMENTS LETTER

To the Board
Reynolds Township
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Reynolds Township for the year ended March 31, 2006 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 14, 2006 on the financial statements of Reynolds Township

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations



Douglas Wohlberg, CPA
Byron Center, Michigan
September 14, 2006

Prior comments and suggestions

1. We have no comments for the year ended March 31, 2005.

Current comments and suggestions

1. Property taxes collected for Fire Protection and Public Safety were disbursed from the Tax Account directly to the Village of Howard City which provides those services to the Township. By doing this, the revenue and expenditures for these services were not recorded in the General Fund. Also, a debt payment for the Library Building was paid directly from the Tax Account and not first recorded in the Library Fund, I recommend that property tax money collected in the Tax Account be disbursed to the funds for which they are collected.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board
Reynolds Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Reynolds Township, Montcalm County, Michigan as of and for the year ended March 31, 2006, and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

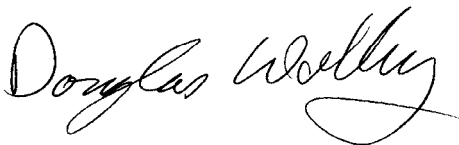
Compliance

As part of obtaining reasonable assurance about whether Reynolds Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Reynolds Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
September 14, 2006